

**BROWN, VENCE & ASSOCIATES**



**Performance Review of  
Bay Counties Waste Services  
City of Sunnyvale**

**Final Report | May 2004**



# Executive Summary

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## Overview

In February 2004, the City of Sunnyvale's Department of Public Works engaged Brown, Vence and Associates (BVA) to conduct a Performance Review (Review) of Bay Counties Waste Services, Inc. (BCWS, Company), the City's franchised solid waste, recycling and green waste collector.

On November 11, 2003, the Sunnyvale City Council voted to accept a BCWS proposal to extend its contract by seven years, with the current Agreement terminating in 2018. As part of this arrangement, depreciation of new containers and vehicles will shift to ten years from five years and seven years, respectively.

As part of this action, the Council also required that BCWS cooperate with an independent and detailed performance review. As stated in a Council staff report:

"The Review is intended to substitute, to the extent it can, for the competitive process that would otherwise have been used to select the franchised hauler at the expiration of the current franchise agreement."<sup>1</sup>

The Review covers the period from July 2001 to the present, and as applicable, projections for FY 2004-05. Although not a primary focus, the Review is also intended to identify any areas of the current Agreement that should be amended.

The Review focuses on five main areas of performance:

- Management systems
- Operations
- Customer service
- Financial practices
- Environmental compliance

Company management and staff were very cooperative during the Review, and we wish to acknowledge their assistance.

## Overview of Findings

Following are BVA's key findings and conclusions by Review area, followed by a few more general observations.

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<sup>1</sup> "Award of Contract to Conduct a Performance Review of Bay Counties Waste Services and Approval of Budget Modification No. 26", Report to Council, February 3, 2004.



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### Management Systems

BCWS operations are in general well run with a "hands-on", relatively flat management style that provides clear lines of authority and responsibility. The Company operates with a degree of flexibility regarding daily operations that is unusual for larger, more bureaucratic waste management companies.

BCWS staffing levels are appropriate. Personnel management and training is generally sufficient, except for on-route safety training and customer service training, as discussed below.

The Company is in compliance with data collection requirements, but we recommend expansion of those requirements.

### Operations

In general, BCWS operates in an efficient manner and provides a level of service that is comparable to, if not better than that provided by other Bay Area service providers we have reviewed.

City and BCWS actions to reduce residential and commercial routes can further improve efficiency. BCWS should eliminate one commercial route to reflect decreased demand. City modification of, or elimination of, unlimited collection and the use of nonstandard containers for residential service, would result in improved efficiency, reduced customer complaints and improved worker safety. The City should also institute a pre-pay program for extra collection of containers for baseline customers.

BCWS needs to prepare, and ensure that route drivers use clear, and established written guidelines for the sequence of route stops in order to maximize efficiency and to minimize dangerous safety risks such as backing up in intersections.

Procedures for selecting and maintaining equipment are generally appropriate and within industry standards.

### Customer Service

Customer service functions are shared between the City's Public Works and Finance Departments, and BCWS.

BCWS' customer service functions need improvement in the areas of error reduction, and complaint and work order management. BCWS' telephone customer service needs significant improvement, particularly in terms of phone manner with customer callers. Company staff needs enhanced training in both of these areas.

Several of the Company's customer service staff members are relatively new and the City should provide an update of City expectations for customer service, as well as training in the use of the utility billing system.

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## Financial Practices

Expenditures for non-allowable costs generally conform to the requirements of the Agreement, with the exception that we recommend City review the requirements of the Agreement regarding compensation to owners in excess of work performed.

Related party transactions meet the provisions of the Agreement. The Agreement and the procedures for compensating the Company should be modified with regard to capturing the value of depreciated equipment. Actual expenditures often do not match projections, and the City should institute a process for reconciling actual expenses with projections.

The Company's capital expenditure procedures are generally within the terms of the Agreement and industry practice. However, the Agreement should be amended to add: 1) a currently unwritten arrangement for capturing future Company savings from public sales of CNG fuel, and 2) a requirement for prior City approval of significant capital expenditures, other than collection vehicles.

## Environmental Compliance

The Review found that the Company is in compliance with environmental and regulatory requirements.

Although not now required to do so, the Company is in compliance with some aspects of the City's Environmental Procurement Policy.

## General Observations

BCWS operates in a somewhat difficult environment in that:

- Residential service features a highly unusual mixture of automated service coupled with unlimited container set-outs, mixed use of carts and customer-owned containers, and post-paid collection of extra containers for those with basic service.
- The customer service function requires close daily coordination with City staff and joint use of the utility billing computer system that is difficult for both Company and City staff to use.

We have identified several areas for improvement in the management and financial portions of the review, all well as with some aspects of collection operations. While several of these issues are significant, we provide recommendations for addressing them and are confident they will be readily resolved.

The most significant area of concern for the Review is with customer service. BCWS personnel changes in the last two years resulted in the hiring of new staff for three of the four full-time customer service positions. We are optimistic that the customer service issues can and will be solved.



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Finally, note that many of the issues related to company operations, and to BCWS-City coordination are interconnected. Changes in one area will result in improvements in others, and often provide benefits to both parties. For instance, requiring that customers with baseline service prepay for extra set-outs will have the following benefits:

- Reduce customer complaints about missed pickups and remove ambiguity regarding whether or not BCWS drivers missed a pick-up
- Reduce City staff time spent on complaints
- Improve system equity by better ensuring equal service for an equal charge
- Minimize City loss of billing revenue
- Contribute to improved efficiency and lower costs for BCWS operations

In the above example, a relatively small change can have a very significant set of benefits. In general, making the residential collection system simpler and more uniform should lead to a substantial drop in complaints, and in City and BCWS time spent in management and resolution of complaints.

## Key Recommendations

Following are summary recommendations for each area of the Review.

### Management Systems

#### Data Reporting and Statistical Analysis

BVA recommends various additions to Company's data reporting requirements, and to the City's use of data and statistics.

### Operations

#### Collection System

##### Residential Service

**Customer Containers.** The City should reduce or eliminate the use of nonstandard containers in order to improve efficiency and worker safety, and to reduce customer complaints. In particular, the use of bags, boxes, or other containers should be eliminated.

**Modified Service.** The City should consider reducing, if not eliminating unlimited service. Possible options, short of eliminating unlimited service, include one or more of the following:

- Grandfathering unlimited service by limiting it to current customers at their current addresses, in order to accelerate the shift to an increased relative role for baseline service.

- Increasing the variation in the rate for unlimited service versus baseline service to encourage use of the former, as well as to improve equity.
- Placing some limit on "unlimited", such as the equivalent of six or eight 32 gallon cans, which would again improve equity. Unlimited service customers wishing to place additional items could then pre-purchase extra container tags.
- Adding one or two automated service levels to Baseline Services so that customers have varied options regarding cart size.

**Payment for Extra Baseline Service.** The current system allows baseline customers to place extra containers of solid waste for collection and to be billed later. In order to reduce customer service disputes and simplify billing, we recommend use of the more standard practice of customer pre-pay for extra collection.

### Commercial Route Start Times

The City should consider whether commercial collection can begin one to two hours earlier than residential collection so that route trucks are off the streets earlier in order to improve safety and efficiency. In addition to, or in lieu of this recommendation, City and Company staff should continue to look for opportunities to cost-effectively institute earlier commercial collection in areas of the City.

### On-Route Safety

#### Public Safety

Company management should review company policy and procedures associated with backing up and other safety-related to confirm all drivers are aware of proper procedures. Route supervisors should follow up by monitoring field operations. The Agreement should be modified as needed to reflect Company driver training requirements.

#### Routing

BCWS should establish specific written guidelines for sequencing of stops along residential and commercial routes, and schedule an organized driver training program to maximize efficient collections and minimize traffic safety risks.

### Route Reductions

#### Residential Routes

With regard to modifying residential services, data and analysis from this Review are not adequate for accurately projecting system-wide route reductions and cost savings associated with minimizing or eliminating unlimited service and the use of nonstandard containers. Our preliminary results indicate a possible reduction in total residential routes from 19.8 to 19.0. We recommend that the City and BCWS conduct a study City-wide to



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quantify placement of extra containers and number of households that use non-standard containers associated with unlimited service.

### **Commercial Routes**

BCWS should reroute its commercial refuse routes in order to eliminate one of the ten current daily routes. The City should work with BCWS to determine whether Saturday collection can be reduced from two routes to one route. If such reduction is possible, the labor agreement should be modified to allow for one route.

### **Roll-Off Routes**

The City should ensure that contractor compensation accurately reflects a decrease from three to two roll-off routes for FY 2003-04.

### **Maintenance Costs**

With the shift in vehicle depreciation from seven to 10 years, the City should include a comparison of actual and projected maintenance expenses for years eight through ten as part of the annual contractor payment review.

## **Customer Service**

### **Computer System and Database Coordination**

#### **Training**

City staff should again observe on-site at BCWS the Company CSR's use of the City's billing database.

BCWS customer service management should review the Agreement with the City to ensure full knowledge of contract provisions related to the customer service area.

BCWS should develop an ongoing and new CSR training program for City review and comment.

#### **Access to City Notes**

The City should consider identifying a means for providing real-time or near real-time Company access to the City's complaints notes field while maintaining necessary confidentiality.

## **Process Issues**

### **Complaint Log Improvements**

BVA recommends that BCWS and the City both log complaints into an identical Excel or Access database. Use of identical databases or spreadsheets will allow both parties to review, sort, and compare data efficiently and effectively.

BCWS' current complaint log should be improved to provide for tracking of more detail with less effort. BCWS should develop an improved format for City review and approval. The log should be provided to the City electronically so that data can easily be tracked and compared.

### **Reducing Data Entry Error**

BCWS CSR's need to work to reduce data entry errors.

### **Improved Rate of Completion**

BCWS staff should improve monitoring of CSR completion of customer service tasks.

## **Customer Service Public Interaction**

### **Equipment**

**Use of Headsets.** We believe that consistent use of headsets will help reduce data entry errors. BCWS currently offers headsets to staff but in general they do not use them.

**BCWS Call Data Tracking System.** We recommend that the Company reinstitute use of a system for monitoring call data, and that the data be forwarded to the City as part of the monthly report.

**Monitoring CSR Calls.** The Customer Service Manager should have the ability to monitor CSR calls.

## **BCWS Telephone Customer Service**

### **Use of Automated Answering System**

BCWS' complete reliance on an automated answering system is not acceptable. It is City staff expectation that use of such a system will be limited to those times in which all available CSR's are on another call, and that the default is to have a CSR directly answer each call.

The automated answering system prompts should be improved.



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### **CSR Phone Manner**

BCWS' CSR phone manner needs significant improvement. While generally helpful and able to respond effectively to the content of calls, the CSRs need to convey greater friendliness and avoid conveying a sense of rushing callers off the phone.

### **Use of Tie Line**

CSR's do not use the tie line when it would be appropriate to do so. City staff should review its expectations for use of the line with BCWS, and callers seeking billing or other information normally provided by the City should be given the option to transfer.

## **Financial Practices**

### **Non-Allowable Costs**

#### **Director/Owner Compensation**

Total compensation calculated as an effective operating ratio is reasonable. With regard to director/owner compensation, the City may do one or more of the following:

- 1) Maintain the current arrangement as is;
- 2) Require documentation of the services and time provided by each Director/Owner/Officer, and the rate of compensation by hour;
- 3) Explicitly reset the operating ratio to reflect any portion of owners' compensation that is not compensation for direct hours provided; or
- 4) Revisit the language of Exhibit D-1, now that 10 years have elapsed to determine whether there should be any redefinition of owners' compensation.

## **Equipment**

### **Vehicle Salvage Value**

We recommend that the City amend the Agreement and/or modify the compensation process to capture company gains from disposal of equipment that has been fully depreciated.

### **Ten Year Vehicle Depreciation**

In addition, the new Agreement should include a requirement that the Company actually own and operate the trucks for the full 10 years, unless otherwise authorized by the City.

## **Projected Depreciation Expense**

### **Roll-Off Container Purchases**

The City should ensure that any projected purchase of new roll-off containers is warranted.

### **Reconciliation of Depreciation**

The City should institute a means for reconciling variances between projected and actual depreciation expenses.

## **Capital Expenditures**

### **CNG Fueling Station**

The Company has stated that once the cost of the additional CNG tank capacity is paid off, the cost of CNG fuel will be reduced with savings passed onto the City. This arrangement should be detailed in writing as an amendment to the Agreement.

### **Storm Water Collection System**

The projected need to install the Storm Waste Collection System has been deferred. If and when the Company projects the expense the City should determine that its need and cost are fully substantiated.

### **Prior City Approval**

The City should add a provision to the Agreement that requires the Company to notify the City of unanticipated capital expenditures (other than for collection vehicles) over a specific amount, such as \$50,000 or \$100,000, in order to avoid a situation in which the City might disallow a capital expenditure expense after the cost has been incurred.

## **Environmental Compliance**

### **Environmental Procurement Policy**

The City and BCWS should discuss further opportunities for compliance with the City's environmental procurement policy.

